

1. Company details

Name of entity: Cipherpoint Limited
ABN: 61 120 658 497
Reporting period: For the year ended 31 March 2021
Previous period: For the year ended 31 March 2020

2. Results for announcement to the market

\$

Revenues from continuing operations	down 52.85%	to	317,558
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	up > 100.00%	to	(2,769,354)
Loss for the year attributable to the owners of Cipherpoint Limited	up > 100.00%	to	(2,769,354)

	2021 Cents	2020 Cents
Basic earnings per share	(2.65)	(1.97)
Diluted earnings per share	(2.65)	(1.97)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$2,769,354 (31 March 2020: \$673,045).

Refer to Market announcement, which precedes the Appendix 4E, for further commentary on the results for the year ended 31 March 2021.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.94</u>	<u>1.46</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

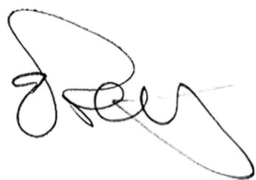
The financial statements are in the process of being audited and an unqualified opinion is expected to be issued. The auditor's report will contain a paragraph addressing material uncertainty related to going concern.

8. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Cipherpoint Limited for the year ended 31 March 2021 is attached.

9. Signed



Signed _____

Date: 31 May 2021

Ted Pretty
Chairman
Sydney

Cipherpoint Limited

ABN 61 120 658 497

Preliminary Financial Report - 31 March 2021

For personal use only

Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7

For personal use only

	Note	Consolidated 2021 \$	2020 \$
Revenue from continuing operations			
Revenue - technology related products and services	2	317,558	673,478
Other income - including Covid-19 stimulus grants	2	49,911	-
		<u>367,469</u>	<u>673,478</u>
Expenses			
Employee benefit expense	3	(1,870,683)	(2,210,535)
Consultancy fees expense		(111,365)	(95,609)
Depreciation and amortisation expense	3	(11,288)	(361,304)
Impairment of assets		-	(1,012,828)
(Impairment)/recovery of receivables		(32,039)	8,039
Legal and professional fees expense		(270,774)	(685,462)
Marketing and promotion expense		(240,180)	(297,202)
Travel and accommodation expense		(11,764)	(235,071)
Office and administration expense		(138,977)	(209,890)
Other expenses		(443,079)	(467,034)
Total expenses		<u>(3,130,149)</u>	<u>(5,566,896)</u>
Results from operating activities		(2,762,680)	(4,893,418)
Finance income calculated using the effective interest method		594	47,029
Finance costs	3	<u>(7,268)</u>	<u>(4,270)</u>
Loss before income tax expense from continuing operations		(2,769,354)	(4,850,659)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(2,769,354)	(4,850,659)
Profit after income tax expense from discontinued operations		-	<u>4,177,614</u>
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited		(2,769,354)	(673,045)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(18,640)</u>	<u>(173,598)</u>
Other comprehensive income for the year, net of tax		<u>(18,640)</u>	<u>(173,598)</u>
Total comprehensive income for the year attributable to the owners of Cipherpoint Limited		<u><u>(2,787,994)</u></u>	<u><u>(846,643)</u></u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(2,787,994)	(5,024,257)
Discontinued operations		-	<u>4,177,614</u>
		<u><u>(2,787,994)</u></u>	<u><u>(846,643)</u></u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	8	(2.65)	(14.16)
Diluted earnings per share	8	(2.65)	(14.16)
Earnings per share for profit from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	8	-	12.20
Diluted earnings per share	8	-	12.20
Earnings per share for loss attributable to the owners of Cipherpoint Limited			
Basic earnings per share	8	(2.65)	(1.97)
Diluted earnings per share	8	(2.65)	(1.97)

For personal use only

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		3,971,549	920,935
Trade and other receivables	4	163,919	83,709
Prepayments		40,336	41,204
Total current assets		<u>4,175,804</u>	<u>1,045,848</u>
Non-current assets			
Property, plant and equipment		14,213	24,086
Other non-current assets		79,601	88,949
Total non-current assets		<u>93,814</u>	<u>113,035</u>
Total assets		<u>4,269,618</u>	<u>1,158,883</u>
Liabilities			
Current liabilities			
Trade and other payables	5	231,697	409,051
Contract liabilities	6	186,537	188,990
Employee benefits		40,222	31,136
Total current liabilities		<u>458,456</u>	<u>629,177</u>
Non-current liabilities			
Contract liabilities	6	67,438	28,532
Total non-current liabilities		<u>67,438</u>	<u>28,532</u>
Total liabilities		<u>525,894</u>	<u>657,709</u>
Net assets		<u>3,743,724</u>	<u>501,174</u>
Equity			
Issued capital	7	98,468,154	93,120,766
Reserves		3,380,877	3,311,334
Accumulated losses		(98,105,307)	(95,930,926)
Total equity		<u>3,743,724</u>	<u>501,174</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

For personal use only

Consolidated	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2019	93,120,766	8,758,203	(101,232,897)	646,072
Loss after income tax expense for the year	-	-	(673,045)	(673,045)
Other comprehensive income for the year, net of tax	-	(173,598)	-	(173,598)
Total comprehensive income for the year	-	(173,598)	(673,045)	(846,643)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments – share options	-	88,865	-	88,865
Share based payments – employee loan shares	-	373,154	-	373,154
Share options lapsed	-	(1,367,766)	1,367,766	-
Warrants issued	-	239,726	-	239,726
Cancellation of Cisco warrants	-	(4,607,250)	4,607,250	-
Balance at 31 March 2020	<u>93,120,766</u>	<u>3,311,334</u>	<u>(95,930,926)</u>	<u>501,174</u>

Consolidated	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2020	93,120,766	3,311,334	(95,930,926)	501,174
Loss after income tax expense for the year	-	-	(2,769,354)	(2,769,354)
Other comprehensive income for the year, net of tax	-	(18,640)	-	(18,640)
Total comprehensive income for the year	-	(18,640)	(2,769,354)	(2,787,994)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	5,347,388	-	-	5,347,388
Share based payments – share options	-	307,119	-	307,119
Share based payments – employee loan shares	-	204,368	-	204,368
Share options - performance rights	-	171,669	-	171,669
Share based payments – share options lapsed	-	(87,228)	87,228	-
Cancellation of warrants	-	(507,745)	507,745	-
Balance at 31 March 2021	<u>98,468,154</u>	<u>3,380,877</u>	<u>(98,105,307)</u>	<u>3,743,724</u>

	Note	Consolidated	
		2021 \$	2020 \$
Cash flows from operating activities			
Loss before income tax expense for the year		(2,769,354)	(673,045)
Adjustments for:			
Depreciation and amortisation		11,288	361,304
Impairment of non-current assets		-	1,012,828
Net loss on disposal of property, plant and equipment		-	2,698
Share-based payments		574,546	456,597
Foreign exchange differences		26,416	(173,598)
Gain on disposal of business		-	(5,240,593)
		<u>(2,157,104)</u>	<u>(4,253,809)</u>
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(80,210)	809,536
Decrease in prepayments		868	19,956
Decrease in trade and other payables		(274,028)	(670,888)
Increase in contract liabilities		36,453	35,091
Increase/(decrease) in employee benefits		9,086	(55,267)
		<u>(2,464,935)</u>	<u>(4,115,381)</u>
Net finance costs		6,674	411,635
Net cash used in operating activities		<u>(2,458,261)</u>	<u>(3,703,746)</u>
Cash flows from investing activities			
Refund of investments in term deposits		-	102,293
Payment of deposits		-	(24,960)
Payment for acquisition of intellectual property		-	(485,010)
Acquisition of controlled entity (net of cash received)		-	(6,032)
Payment for acquisition of property, plant and equipment		(3,000)	(32,005)
Proceeds from disposal of business		-	3,024,200
Net cash (used in)/from investing activities		<u>(3,000)</u>	<u>2,578,486</u>
Cash flows from financing activities			
Proceeds from issue of shares	7	5,758,815	-
Payment of share issue costs		(213,001)	-
Payment of C note issue costs		-	(71,446)
Proceeds from borrowings - convertible notes payable		-	500,000
Net cash from financing activities		<u>5,545,814</u>	<u>428,554</u>
Net increase/(decrease) in cash and cash equivalents		3,084,553	(696,706)
Cash and cash equivalents at the beginning of the financial year		920,935	1,605,067
Effects of exchange rate changes on cash and cash equivalents		(33,939)	12,574
Cash and cash equivalents at the end of the financial year		<u>3,971,549</u>	<u>920,935</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Cipherpoint Limited (the 'Company' or 'parent entity') as a consolidated entity consisting of Cipherpoint Limited and the entities it controlled ('the Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Cipherpoint Limited's functional and presentation currency.

Cipherpoint Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4, Level 8, 171 Clarence Street
Sydney, NSW 2000

Note 2. Revenue

	Consolidated	
	2021	2020
	\$	\$
Revenue from contracts with customers:		
Revenue - technology related products and services	<u>317,558</u>	<u>673,478</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021	2020
	\$	\$
<i>Major product lines</i>		
License	40,308	328,468
Maintenance and Support	228,534	66,034
Services	<u>48,716</u>	<u>278,976</u>
	<u>317,558</u>	<u>673,478</u>
<i>Geographical regions</i>		
Australasia	81,543	48,408
United States of America	196,256	239,596
United Kingdom	-	10,820
Germany	39,759	351,772
Singapore	<u>-</u>	<u>22,882</u>
	<u>317,558</u>	<u>673,478</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	48,716	394,502
Services transferred over time	<u>268,842</u>	<u>278,976</u>
	<u>317,558</u>	<u>673,478</u>

Other income

During the year the Company received payments from the Australian Government amounting to \$27,000 under the 'JobKeeper' scheme in response to the Covid-19 pandemic.

Note 3. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	11,288	16,452
<i>Amortisation</i>		
Intellectual property	-	344,852
Total depreciation and amortisation	11,288	361,304
<i>Impairment of assets</i>		
Intellectual property	-	1,012,828
<i>Employee benefit expense</i>		
Wages and salaries	920,940	1,512,693
Non-executive director fees	185,000	74,166
Termination benefits	31,241	-
Recruitment and sourcing	4,751	31,536
Other employee related expenses	80,160	118,998
Payroll taxes	26,437	77,777
Defined contribution superannuation expense	69,037	113,324
Bonus - cash component reversed	(43,562)	(85,384)
Equity settled share-based payments	574,546	291,973
Commissions	22,133	75,452
Total employee benefits	1,870,683	2,210,535
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	7,268	4,270

Note 4. Trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	148,057	57,702
Less: Allowance for expected credit losses	(34,548)	(2,509)
	113,509	55,193
GST/ VAT receivables	50,410	28,516
	<u>163,919</u>	<u>83,709</u>

Allowance for expected credit losses

The Group has recognised an impairment of \$32,039 (2020: gain of \$3,653) in profit or loss in respect of the expected credit losses for the year ended 31 March 2021.

Note 5. Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	132,059	108,117
Other payables and accrued expenses	99,638	300,934
	<u>231,697</u>	<u>409,051</u>

Note 6. Contract liabilities

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	186,537	188,990
<i>Non-current liabilities</i>		
Contract liabilities	67,438	28,532
	<u>253,975</u>	<u>217,522</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	217,522	163,882
Payments received in advance	277,735	571,025
Contract liabilities disposed	-	(178,176)
Transfer to revenue - performance obligations satisfied	(262,248)	(367,741)
Foreign currency change	20,966	28,532
Closing balance	<u>253,975</u>	<u>217,522</u>

Unsatisfied performance obligations (current and non-current)

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$253,975 as at 31 March 2021 (\$217,522 as at 31 March 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021	2020
	\$	\$
Within 6 months	117,322	124,112
6 to 12 months	69,011	60,198
12 to 18 months	25,514	10,445
18 to 24 months	24,018	8,696
More than 24 months	18,110	14,071
	<u>253,975</u>	<u>217,522</u>

The unsatisfied performance obligations include the non-current balance.

For personal use only

Note 7. Issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$	2020 \$
Ordinary shares - fully paid	193,268,606	34,244,326	98,468,154	93,120,766

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 April 2019	684,875,584		93,120,766
Share consolidation at 20:1 (a)	15 August 2019	(650,631,258)	\$0.0000	-
Balance	31 March 2020	34,244,326		93,120,766
Share purchase plan (b)	6 July 2020	38,461,651	\$0.0130	500,001
Issue of rights (c)	8 July 2020	19,000,000	\$0.0230	437,000
Issue of rights (d)	29 September 2020	30,391,797	\$0.0480	1,458,806
Issue of rights (e)	2 October 2020	17,979,344	\$0.0480	863,008
Issue of rights (f)	1 February 2021	21,276,597	\$0.0470	1,000,000
Issue of rights (g)	26 March 2021	25,210,906	\$0.0470	1,184,913
Issue of rights (h)	30 March 2021	6,703,985	\$0.0470	315,087
Less: share issue costs		-	\$0.0000	(411,427)
Balance	31 March 2021	193,268,606		98,468,154

During the period ended 31 March 2021, the Group completed the following transactions in respect of the issue of ordinary shares:

- (a) The Group consolidated its shareholding by 20 shares to 1 share.
- (b) The Group issued 38,461,651 ordinary shares in the Company totalling \$500,001 as part of the Share Purchase Plan ('SPP').
- (c) The Group issued 19,000,000 ordinary shares in the Company totalling \$437,000 to participants in a placement.
- (d) The Group issued 30,391,797 ordinary shares in the Company totalling \$1,458,806 (11,313,039 ordinary shares to participants in a placement and 19,078,758 ordinary shares as part of the non-renounceable rights issue).
- (e) The Group issued 17,979,344 ordinary shares in the Company totalling \$863,008 to participants in a placement.
- (f) The Group issued 21,276,597 ordinary shares in the Company totalling \$1,000,000 to participants in a placement.
- (g) The Group issued 25,210,906 ordinary shares in the Company totalling \$863,008 as part of the non-renounceable rights issue.
- (h) The Group issued 6,703,985 ordinary shares in the Company totalling \$315,087 to participants in a placement.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Options:

- In relation to the placement, 5,319,132 free options were issued on 15 February 2021, with an exercise price of 8 cents and an expiry date of 5 February 2022.
- In relation to the non-renounceable rights issue, 6,302,793 free options were issued on 26 March 2021, with an exercise price of 8 cents and an expiry date of 5 February 2022.
- Also in relation to the rights issue, a further 1,675,997 options were issued on 30 March 2021, with an exercise price of 8 cents and expiry date of 5 February 2022.

Share buy-back

There is no current on-market share buy-back.

Note 7. Issued capital (continued)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. At the date of this report, the Group has not entered into discussions to invest in further businesses, but will continue to evaluate opportunities as they arise.

The capital risk management policy remains unchanged from the 31 March 2020 Annual Report.

Note 8. Earnings per share

	Consolidated 2021	2020
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(2,769,354)</u>	<u>(4,850,659)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>104,615,638</u>	<u>34,244,326</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>104,615,638</u>	<u>34,244,326</u>
	Cents	Cents
Basic earnings per share	(2.65)	(14.16)
Diluted earnings per share	(2.65)	(14.16)
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Cipherpoint Limited	<u>-</u>	<u>4,177,614</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>-</u>	<u>34,244,326</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>-</u>	<u>34,244,326</u>
	Cents	Cents
Basic earnings per share	-	12.20
Diluted earnings per share	-	12.20

Note 8. Earnings per share (continued)

	Consolidated	
	2021	2020
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(2,769,354)</u>	<u>(673,045)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>104,615,638</u>	<u>34,244,326</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>104,615,638</u>	<u>34,244,326</u>
	Cents	Cents
Basic earnings per share	(2.65)	(1.97)
Diluted earnings per share	(2.65)	(1.97)

The 37,404,069 (2020: 14,749,844) options, employees loan shares, warrants and performance rights could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

For personal use only